

JASON M. FRIERSON
United States Attorney
District of Nevada
Nevada Bar No. 7709

SKYLER PEARSON
Assistant United States Attorney
501 Las Vegas Blvd. So., Suite 1100
Las Vegas, Nevada 89101
(702) 388-6336
skyler.pearson@usdoj.gov

Attorneys for the United States

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA**

In re:
Grand Canyon Destinations LLC,
Debtor

Case No. 23-10399-NMC
Chapter 11
(Jointly Administered)

In re:
Athens, Inc.
Debtors

Case No. 23-11659-NMC
Chapter 11

**UNITED STATES SMALL BUSINESS
ASSOCIATION'S JOINDER TO THE
U.S. TRUSTEE'S MOTIONS TO
REMOVE SUBCHAPTER V DEBTOR
IN POSSESSION PURSUANT TO 11
U.S.C. § 1185(a), GRANT RELIEF
UNDER 11 U.S.C. § 1183(b)(2), and
RESERVATION OF RIGHTS (Docket
Nos. 50, 118)**

Hearing Date: July 11, 2023
Hearing Time: 9:30 A.M.

The United States Small Business Administration (“SBA”) hereby files its joinders to the *Motion of the U.S. Trustee to Remove Subchapter V Debtor in Possession Pursuant to 11 U.S.C. § 1185(a), Grant Relief Under 11 U.S.C. §1183(b)(2), and Reservation of Rights* (“Motions”) (Docket Nos. 50, 118) in the now jointly administered bankruptcy cases of Athens Inc., and Grand

1 Canyon Destinations, LLC, the Chapter 11 debtors and debtors in possession herein
2 (“Debtors”).

3 The U.S. Trustee asserts facts and raises allegations suggesting that the Debtors and
4 their president, Anthony Dobbs, may have misapplied and/or misused loan proceeds from
5 two SBA Economic Injury Disaster Loans (“EIDL” or “disaster loan”) authorized under
6 Section 7(b) of the Small Business Act. Specifically, a borrower must use its disaster loan
7 proceeds solely in accordance with the Use of Loan Proceeds section of the Loan
8 Authorization and Agreement. Mr. Dobbs, as the Owner/Officer of Grand Canyon
9 Destinations, LLC, executed a Loan Authorization and Agreement dated May 31, 2020, to
10 which Grand Canyon Destinations agreed to be bound by the terms and conditions therein
11 and the Uses of Loan Proceeds. Furthermore, Mr. Dobbs, as the Owner/Officer of Athens,
12 Inc., executed a Loan Authorization and Agreement dated June 17, 2020, to which Athens,
13 Inc. agreed to be bound by the terms and conditions therein and the Uses of Loan Proceeds.
14 The Uses of Loan Proceeds provide:

15 Borrower will use all the proceeds of this Loan solely as working capital to alleviate
16 economic injury caused by disaster occurring in the month of January 31, 2020 and
17 continuing thereafter and to pay Uniform Commercial Code (UCC) lien filing fees
18 and a third-party UCC handling charge of \$100 which will be deducted from the
Loan amount stated above.

19 Despite the foregoing, and in an apparent breach of the EIDL terms, evidence presented in
20 these now jointly administered bankruptcy cases suggest that Mr. Dobbs caused the
21 Debtors’ EIDL proceeds to be transferred to another entity - New Charters Nevada - and
22 not for the actual borrower - the Debtors, or used as working capital, in violation of the
23 terms of the Loan Authorization and Agreement.

24 Misapplication of loan proceeds is a violation of the Federal Regulations and the
25 terms of the Debtors’ disaster loans. Whoever wrongfully misapplies the proceeds of a
26 disaster loan authorized under Section 7(b) will be liable to SBA for one and one-half times
27 the proceeds disbursed to the borrower as of the date SBA learns of its wrongful
28 misapplication. Wrongful misapplication means the willful use of any disaster loan proceeds

1 without SBA approval contrary to the Loan Authorization. If a borrower fails to use disaster
 2 loan proceeds for authorized purposes for 60 days or more after receiving a loan
 3 disbursement check, such non-use also is considered a wrongful misapplication of the
 4 proceeds. 13 C.F.R. § 123.9(a); 15 U.S.C. § 636(b).

5 Therefore, according to proof, SBA may find Grand Canyon Destinations, LLC and
 6 Mr. Dobbs liable to SBA for one and one-half times the proceeds disbursed to the Debtor, in
 7 the total amount of \$3,000,000.00 (calculated as \$2,000,000.00 principal disbursed X 1.5 =
 8 \$3,000,000.00). That administrative penalty would constitute an additional claim against the
 9 Debtor's bankruptcy estate.

10 Furthermore, according to proof, SBA may find Athens, Inc. and Mr. Dobbs liable
 11 to SBA for one and on-half times the proceeds disbursed to the Debtor, in the total amount
 12 of \$1,887,450.00 (calculated as \$1,258,300.00 principal disbursed X 1.5 = \$1,887,450.00).
 13 That administrative penalty would constitute an additional claim against the Debtor's
 14 bankruptcy estate.

15 Further, the misapplication at issue are transfers to New Charters Nevada, an entity
 16 in which Mr. Dobbs owns an interest. Therefore, it appears that the transfers of EIDL
 17 proceeds away from the Debtors were for the benefit of the Mr. Dobbs personally and
 18 constituted a breach of the fiduciary duty that Mr. Dobbs owed to the Debtors and their
 19 creditors, including the SBA, as the Debtors did not receive reasonably equivalent value in
 20 exchange for said transfers.

21 Accordingly, SBA joins with the U.S. Trustee that cause exists to remove the Debtor
 22 as debtor in possession under 11 U.S.C. § 1185.

23 Respectfully submitted this 27th day of June 2023.

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 25 JASON M. FRIERSON
 United States Attorney

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 27 */s/ Skyler H. Pearson*
 SKYLER H. PEARSON
 28 Assistant United States Attorney